

Utah Major Issues

July 2006

Oil and Gas Leasing

Current Status: Utah BLM has seen a significant increase in the demand for oil and gas services involving public lands. With oil and gas prices at record highs, industry is requesting larger and “more timely” leasing and faster drilling permit approvals. The number and complexity of protests, appeals and litigation have steadily increased; at the same time, nominations for leasing by industry have increased nearly fourfold. Workloads involved with preparing large lease sales and resolving protests are causing delays in issuing leases and drilling permits. BLM Utah has made it a priority to do everything possible, including redirection of staff from other important workloads, to resolve protests and issue leases in a timely manner while also balancing timely processing of drilling permits.

Background: In addition to the formal administrative and judicial processes, concerns about these activities are being openly expressed and debated by various parties in the news media and on internet sites. Environmental groups have aggressively campaigned to discredit BLM leasing decisions, citing conflicts with other resources such as scenery and wildlife and a lack of detailed environmental analysis. By and large, the BLM has been successful in defending administrative and legal challenges though several cases remain active in federal court. The BLM is also taking proactive steps to clarify processes and safeguards associated with energy development activities, and the agency has urged partners in the community, state government, and industry to also communicate balancing viewpoints.

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Oil and Gas Lease Sales

Current Status: Utah BLM's quarterly oil and gas lease sale held May 16 broke another record with the most acreage, revenues, and bidders for any lease sale in Utah. Of the 295 parcels (437,850 acres) offered at the sale, 283 (420,786 acres) were sold. High bids came in for parcels in Carbon and Sevier counties. The sale netted more than 54 million dollars, half of which will be given to the State of Utah. In addition to royalties and rentals that are also shared with the State (50%), oil and gas development on the public lands fuels Utah's economy through jobs and increased demands for related services and commodities in rural communities. The next sale set for August 15 will offer 216 parcels comprising 333,700 acres. Over 600,000 acres were nominated for the August sale, however certain acreage had to be deferred to a subsequent sale to allow time to resolve issues surrounding endangered species, assure NEPA compliance, and to allow the Vernal Field Office more time to process parcels in that office due to conflicts with permitting backlogs, office remodeling and review of the environmental assessment associated with the RD&D oil shale project (see below).

Background: BLM has an extensive and comprehensive process to ensure leases are issued and developed in compliance with governing laws such as NEPA, ESA, and NHPA. However, aging Resource Management Plans and associated NEPA documents require thorough review and in some cases supplementation of analysis and documentation. Of course oil and gas leasing is just the first step in the oil and gas development process. Once leases are held, exploratory work can determine if development is economically viable. Not all leased lands see development. Less than one percent of BLM land receives direct surface disturbance from oil and gas activities. New technology and Best Management Practices reduce environmental impacts; surface disturbance from an average well is 75 percent less than it was 30 years ago. Of the 34 million acres of surface and subsurface lands managed by Utah BLM, approximately 4.4 million acres are currently under lease. By way of comparison, nearly 19 million acres were under lease in Utah following the last large leasing upswing triggered by the Arab oil embargo in the 1970's.

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Applications for Permit to Drill (APDs)

Current Status: Drilling applications in Utah have increased by approximately 250 percent over the last five years compared to the previous five-year period. The Vernal Field Office has seen the brunt of these increases as the office with largest conventional (non-coalbed methane) APD workload in the Bureau. The Vernal Field Office has been vigilant in thoroughly reviewing these applications, and making the timeliest decisions possible. Last year, the office processed about 700 drilling permits and this year they are set to increase that to more than 1,000. Pilot Office funding has greatly assisted in improving workflow however new APDs are being submitted at a significantly higher rate than was projected when Pilot Office funding was estimated. Consequently, a backlog of APDs is accruing which may approach 1,000 by the end of this fiscal year. As many as 52 new positions may be needed to eliminate the backlog and prevent future occurrences (~\$4.5 million annually to cover labor).

Background: APD processing requires an “interdisciplinary team” effort to examine the environmental effects and develop mitigation measures. All federal APDs must be posted for public inspection/notification for a period of 30 days. In addition, mandated consultation with the U.S. Fish and Wildlife, State Historic Preservation Office, and other agencies is often required as well which often adds to the time needed to process an APD. In most cases the same staff experts needed to prepare lease sales is also needed to process APDs. Environmental groups also challenge permits—typically on various procedural grounds—which also causes delays in companies obtaining approval to drill.

In addition to traditional oil and gas producing areas such as the Uintah Basin, increased leasing and exploratory activity is also occurring in several of Utah BLM's field offices that have not historically seen mineral development and do not have substantial minerals staffing (Richfield, Cedar City, and Price).

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Energy Pilot Office

Current Status: The Federal Permit Pilot Project established by the Energy Policy Act of 2005 created an innovative way for resource management agencies to meet the challenge of providing reliable, affordable energy that is crucial to all Americans and our economy. Utah BLM's Vernal Field Office was chosen as one of the Pilot Offices, and has already launched its efforts to increase staffing and improve processes for permitting oil and gas activities. Vernal Field Office has been approved to recruit 28 new BLM positions and has so far hired 21 of those utilizing Pilot Project funding (derived from rental payments received from onshore mineral leases). In addition, staff from the U.S. Fish & Wildlife Service and State Historic Preservation Office will be co-located at the Vernal Office to coordinate environmental analyses, threatened and endangered clearances, NHPA consultations, etc.

Hiring and retention of new staff is becoming a significant issue due to shortages of qualified individuals coupled with competition from industry and consulting firms. It is becoming increasingly difficult to compete with salaries and benefits offered by energy related companies, especially in locations such as Vernal where the cost of living is rising rapidly.

Background: The Vernal Field Office anticipates approximately 10,000 new wells in the Uintah Basin over the next 20 years of which approximately 8,000 will be on federally administered mineral estate. Currently, there are 8,000 active oil and gas wells in Utah, of which 6,000 are on federal lands in Duchesne and Uintah counties. As outlined above, the Vernal Field Office plans to process 30-40 percent more drilling applications than it did in fiscal year 2005 with high demand expected to continue in the out years.

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Oil Shale Research, Development and Demonstration (RD&D)

Current Status: Recently, in response to rising oil prices, there has been renewed interest in oil shale development in Utah. Entities have expressed an interest in acquiring leases especially for the partially reclaimed White River Oil Shale Mine site that is administered by the BLM. A number of companies submitted nominations for the site as a part of the Oil Shale Research, Development, and Demonstration (RD&D) program. Oil Shale Exploration Company has been selected for further consideration for a lease for the site after presenting the best RD&D plan. BLM anticipates issuing a 160-acre lease for a RD&D program for the White River site by the end of September 2006. If commercial production is proven viable, the company may apply for a commercial lease containing an additional 4,960 acres.

Background: Nine companies submitted nominations for tracts in Utah, six of which targeted the White River Oil Shale Mine Site that is located on lands leased during the prototype oil shale program in 1974. These nominations were reviewed and screened by an interagency team comprised of representatives from the BLM, Department of Energy, and Governor's representatives from Colorado, Utah, and Wyoming. A substantial new workload is emerging associated with the renewed interest oil shale and tar sand which is severely taxing BLM's ability to meet these and other energy (and non-energy) workloads.

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Recreation Land Exchange between BLM and the State of Utah's School & Institutional Trust Lands Administration (SITLA)

Current Status: In a May 24, 2006, hearing before the Senate Energy and Natural Resources subcommittee on Public Lands and Forests, Deputy Assistant Secretary Calvert stated that the Department of the Interior could support this bill with some modifications. On June 21, House Resources Committee reported out the bill by voice vote without amendment because agreement could not be reached on a substitute. The understanding was reached that progress has been made but that a number of issues remain to be resolved before consideration of the bill on the House floor. Among the concerns raised throughout the process were valuation methods, withdrawal of parcels coming to the Federal government, and the resource report requirement.

Background: The Utah Recreation Land Exchange Act (S. 2788) , sponsored by Rep. Chris Cannon, would legislate a large-scale land exchange between BLM and the State of Utah's School and Institutional Trust Lands Administration (SITLA). It directs the exchange of approximately 40,000 acres of lands in Grand and Uintah counties managed by SITLA for approximately 40,000 acres of BLM-managed Federal lands. Many of the lands that the State is proposing to transfer to the BLM are lands the BLM has a high degree of interest in acquiring because they would consolidate Federal ownership within wilderness study areas, Areas of Critical Environmental Concern, and other sensitive lands. Most of these lands are located in Grand County in the vicinity of Moab. Federal lands for transfer to SITLA from the BLM include approximately 35,000 acres of lands with high energy potential for oil and gas as well future prospects for oil shale and tar-sand leasing and development. These lands are located in Uintah County. The bill would also transfer scattered parcels near the town of Green River and additional acreage near the Canyonlands Field municipal airport that are better suited for private development. S. 2788 directs that all appraisals shall be in accordance with the requirements of FLPMA and with the BLM's regulations governing appraisals. However, the bill further directs the use of two alternative methods of valuation for two different purposes.

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Resource Management Planning

Current Status: Utah BLM currently has six land use planning efforts underway – Price, Vernal, Richfield, Moab, Monticello, and Kanab. In addition, the Grand Staircase Escalante National Monument (GSENM) is amending their management plan to incorporate and update their livestock grazing program. See attached map for anticipated schedule for completion of RMP/EISs.

Background: The top issues that are being addressed in these plans include energy, off-highway vehicle management, areas of critical environmental concern, wild and scenic rivers, special status species, recreation, and range. Price and Vernal are scheduled to release their proposed plans in the fall of 2006, with Richfield, Moab and Monticello scheduled to release their draft plans for public review and comment during this same timeframe.

	<u>Surface Acres</u>	<u>Subsurface</u>	<u>Counties</u>
• Price	2.5 million	2.8 million	Carbon, Emery
• Vernal	1.8 million	3.6 million	Daggett, Duchesne, Uintah
• Richfield	2.1 million	2.1 million	Sanpete, Sevier, Piute, Wayne, Garfield
• Moab	1.8 million	1.9 million	Grand, San Juan
• Monticello	1.8 million	2.3 million	San Juan
• Kanab	0.6 million	0.8 million	Kane, Garfield

RMP Briefs can be seen at <http://www.ut.blm.gov/landuseplanning/rmpbriefs.htm>

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R.S. 2477

Current Status: BLM National Instruction Memorandum (WO-IM-2006-159) was signed May 26, 2006. The new BLM policy implements the Secretary's Memo (March 8, 2006), which is based on the 10th Circuit Court's decision (September 8, 2005) for claimed R.S. 2477 roads. New workloads include processing Non-Binding Determinations (NBDs), analysis of proposed road improvements, and developing Maintenance Agreements for existing roads. Several counties have already submitted asserted roads for NBDs. In addition, NBDs may also need to be completed prior to implementation of RMP travel management plans. These new workloads are in addition to working with the Solicitor's Office and the U.S. Attorney on Quiet Title Act litigation, and continuing work on authorizing FLPMA ROWs for some county roads. Environmental groups have expressed concern and disapproval of Interior and BLM policy and continue to challenge any efforts to move forward on this issue.

Background: Specific work needing to be done includes:

- Non-Binding Determinations (NBDs) - BLM consultation with the Solicitor's Office regarding the scope of the ROW and traditional uses of the asserted R.S. 2477 route; use of applicable state law in discerning congressional intent; BLM coordination of information from the claimant. Research of field and State Office records and claimant-submitted information for determination of a public highway; (i.e., 10 years continuous public use pre-FLPMA, lands not reserved nor withdrawn from the operation of public laws, that the road had public "acceptance" whether it was included in the local government road system, and that the ROW was not relinquished or abandoned under state law); and seeking and incorporating public comment into the determination.
- Proposed Road Upgrading & Improvements under a R.S. 2477 ROW - coordination with counties on proposed road improvements that are beyond mere maintenance; determination of whether or not the road improvements are "reasonable and necessary" in light of traditional uses of the ROW as determined by state law; BLM's study of potential effects and formulation of alternatives to protect underlying and surrounding Federal lands. BLM is obligated to render its decision in a timely and expeditious manner.
- Maintenance Agreements - negotiating Maintenance Agreements with individual counties for a list of appropriate roads involving status quo routine maintenance, including public notice and incorporation of public comment, and monitoring of activities subsequent to entering into the agreements.

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Factory Butte

Current Status: The BLM Resource Advisory Council (RAC) and Subcommittee have assisted with trying to bring recommendations to the BLM for more than a year; it now appears that the RAC will bring forward three of the five alternatives worked on by the Subcommittee. Recent T&E species surveys and documented damage to the listed Wright's Fishhook Cactus will justify and probably require an emergency restriction that would prohibit off-trail travel. Most roads and trails would remain available for use as would approximately 1,000 acres of open-play area. This action will not be popular with local commissioners, OHV proponents, or some local business owners; we expect to be litigated on the closure. This has received press coverage in two June 2006 *Salt Lake Tribune* stories and is featured on the Southern Utah Wilderness Alliance (SUWA) website.

Background: The Southern Utah Wilderness Alliance filed an Emergency Closure Petition on April 1, 2005, to request the BLM's immediate action. The petition was sent to Secretary Gale Norton, Utah State Director Sally Wisely, and Richfield Field Manager Cornell Christensen. The BLM responded on April 7, 2006, but did not grant their request.

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Fire Program

Current Status: The Utah BLM fire program is an active, multi-faceted program. There are approximately 200 employees statewide with an annual budget of \$23 million. Available resources include 6 aircraft, 35 engines, one hotshot crew, and 12 smokejumpers.

Background:

- During the 2005 fire season, there were 379 lightning-caused fires and 59 human-caused fires for a total of 388,000 acres burned. 95% of these fires were suppressed during initial attack.
- A total of 120,000 acres were rehabilitated at a cost of \$10,000,000.
- Fire plan amendments were completed for 17 of 24 existing resource management plans.
- Over 200,000 acres of hazardous fuel treatments were conducted.
- Rural Fire Assistance funding for 2006 was \$736,000. Utah had led the Bureau in funding for this program since its inception.
- More than 100 Community Wildfire Prevention Plans have been completed to date.

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St. George Field Office Transportation Plan

Current Status: In January 2005, the St. George Field Office (SGFO) initiated scoping for a travel plan that would encompass the entire 695,000-acre field office. Outreach included a public comment period and public meetings. The travel plan would have amended the RMP, changed the existing OHV area designations, and designated the roads and trails allowed for OHV use. The SGFO hired a contractor to assist with the plan and the contractor produced a scoping report in June 2005. The Scoping Report (available at www.ut.blm.gov/landuseplanning/stgeorge/ScopingReportDraftFINAL6-10-05.pdf) describes the issues and concerns brought forward by the public. Due to lack of funding for the project, SGFO had to stop the planning effort. The OHV issues continue to be a concern for the office and they would like to move forward on the project as soon as funding becomes available.

Background: St. George completed an RMP in 1999. The plan designated most of the OHV use within the Field Office boundaries as limited to existing roads and trails, but there was no map at the time that depicted the existing road and trail network. Consequently, route proliferation has occurred as population growth and increased development continues.

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